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ASSOCIATION OF AMERICAN RAILROADS

THIRD QUARTER
R&E Series No. 735

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

ACCOUNT	FOR THE THIRD QUARTER 1988	1987	%Change	FOR THE NINE MONTHS ENDED SEPT 30 1988	1987	%Change
FREIGHT	$6,766,514	$6,492,549	4.22%	$20,248,428	$19,102,441	6.00%
PASSENGER	21,476	22,645	-5.16%	63,337	74,909	-15.45%
PASSENGER - RELATED	45	48	-6.25%	130	200	-35.00%
ALL OTHER OPERATING REVENUES	192,382	172,642	11.43%	549,888	533,253	3.12%
JOINT FACILITY ACCOUNT	3,432	2,819	21.75%	9,752	7,449	30.09%
OPERATING REVENUES	$6,983,849	$6,690,703	4.38%	$20,871,535	$19,718,242	5.85%
DEPRECIATION - ROAD	$300,789	$442,744	-32.06%	$890,523	$983,451	-9.45%
ALL OTHER WAY AND STRUCTURES	783,135	783,354	-0.03%	2,345,389	2,279,782	2.88%
TOTAL WAY AND STRUCTURES	1,083,924	1,226,098	-11.60%	3,235,912	3,263,233	-0.84%
DEPRECIATION - EQUIPMENT	250,227	247,255	1.20%	748,223	739,453	1.19%
ALL OTHER EQUIPMENT	1,255,270	1,267,179	-0.94%	3,819,000	3,770,924	1.27%
TOTAL EQUIPMENT	1,505,497	1,514,434	-0.59%	4,567,223	4,510,377	1.26%
TRANSPORTATION - TRAIN AND YARD	2,240,899	2,260,483	-0.87%	6,871,906	6,533,465	5.18%
TRANSPORTATION - SPECIALIZED SERV. & ADM.	352,962	390,955	-9.72%	1,065,101	1,141,899	-6.73%
GENERAL AND ADMINISTRATIVE	696,121	1,001,359	-30.48%	2,839,068	2,386,322	18.97%
OPERATING EXPENSES	$5,879,403	$6,393,329	-8.04%	$18,579,210	$17,835,296	4.17%
NET REVENUE RAIL OPERATIONS	$1,104,446	$297,374	271.40%	$2,292,325	$1,882,946	21.74%
OTHER INCOME	$283,798	$347,393	-18.31%	$888,480	$931,059	-4.57%
INCOME FROM AFFILIATED COMPANIES:						
DIVIDENDS	17,236	3,473	396.29%	79,573	22,830	248.55%
EQUITY IN UNDISTRIBUTED EARNINGS (LOSSES)	11,554	28,824	-59.92%	26,215	62,260	-57.89%
TOTAL INCOME FROM AFFILIATED COMPANIES	28,790	32,297	-10.86%	105,788	85,090	24.32%
MISCELLANEOUS DEDUCTIONS FROM INCOME	39,438	72,622	-45.69%	168,512	197,229	-14.56%
INCOME AVAILABLE FOR FIXED CHARGES	$1,377,596	$604,442	127.91%	$3,118,081	$2,701,866	15.40%
INTEREST ON FUNDED DEBT	201,538	200,874	0.33%	590,788	611,666	-3.41%
INTEREST ON UNFUNDED DEBT	32,342	19,868	62.78%	84,091	55,824	50.64%
AMORTIZATION OF DISCOUNT ON FUNDED DEBT	2,988	3,127	-4.45%	9,362	8,902	5.17%
TOTAL FIXED CHARGES	236,868	223,869	5.81%	684,241	676,392	1.16%
INCOME AFTER FIXED CHARGES	$1,140,728	$380,573	199.74%	$2,433,840	$2,025,474	20.16%
OTHER DEDUCTIONS	2,562	2,849	-10.07%	7,739	8,586	-9.86%
UNUSUAL OR INFREQUENT ITEMS (DEBIT) CREDIT						
INCOME (LOSS) FR.CONT.OPER.BEF.INC.TAXES	$1,138,166	$377,724	201.32%	$2,426,101	$2,016,888	20.29%
INCOME TAXES ON ORDINARY INCOME	124,468	120,930	2.93%	469,007	463,272	1.24%
PROVISION FOR DEFERRED INCOME TAXES	273,664	(49,162)	656.66%	353,138	236,297	49.45%
INCOME (LOSS) FR.CONT.OPER.AFT.INC.TAXES	$740,034	$305,956	141.88%	$1,603,956	$1,317,319	21.76%
INCOME OR (LOSS) FR.OPER.OF DISCONT.SEG.						
GAIN OR (LOSS) ON DISP.OF DISCONT.SEG.						
ORDINARY INCOME	$740,034	$305,956	141.88%	$1,603,956	$1,317,319	21.76%
EXTRAORDINARY ITEMS (NET)	($583)	($2,201)	73.51%	($10,150)	$29,819	-134.04%
INCOME TAXES ON EXTRAORD. ITEMS		650			650	
PROV. FOR DEF.TAXES-EXTRAORD. ITEMS				2,025		
CUM.EFFECT CHANGES IN ACCT.PRIN.				60,173	57,247	5.11%
NET INCOME	$739,451	$304,405	142.92%	$1,656,004	$1,405,035	17.86%
** INCOME FROM LEASE OF ROAD AND EQUIP	($14)	($250)	94.40%	($822)	($1,358)	39.47%
** RENT FOR LEASED ROADS AND EQUIPMENT	7,589	19,883	-61.83%	24,283	49,886	-51.32%
NET RAILWAY OPERATING INCOME	$713,889	$285,239	150.26%	$1,493,641	$1,231,905	21.25%
DIVIDENDS ON COMMON STOCK	$198,457	$277,722	-28.54%	$1,446,108	$791,207	82.77%
DIVIDENDS ON PREFERRED STOCK	1,287	1,884	-31.69%	5,142	8,516	-39.62%
**** RATIOS ****						
EXPENSES TO REVENUES	84.186%	95.555%		89.017%	90.451%	
TOTAL MAINTENANCE TO REVENUES	37.077%	40.960%		37.386%	39.423%	
TRANSPORTATION TO REVENUES	37.141%	39.629%		38.028%	38.925%	
CASH FLOW	$1,553,160	$917,969	69.20%	$3,569,625	$3,214,260	11.06%

RATE OF RETURN ON PROPERTY INVESTMENT

TWELVE MONTHS ENDED SEPTEMBER 30, 1988

(Dollars in Thousands)

	AVERAGE NET INVESTMENT* 1988	1987	NET OPERATING INCOME** 1988	1987	RATE OF RETURN 1988	1987
EASTERN DISTRICT	$17,227	$17,070	$1,242	$874	7.21%	5.12%
WESTERN DISTRCT	17,168	16,945	1,300	983	7.57	5.80
UNITED SYATES	$34,395	$34,015	$2,542	$1,857	7.39%	5.46%

NOTE: *AVERAGE NET INVESTMENT WAS CALCULATED IN ACCORDANCE WITH EX PARTE NO. 393 (SUB-NO. 1).
**THE NROI DISPLAYED ABOVE REFLECTS THE ELIMINATION OF SPECIAL CHARGES TAKEN BY THE CARRIERS.

FOR THE THIRD QUARTER

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
District & Railroad	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987
EASTERN DISTRICT										
Boston & Maine	$17,669	$21,455	$18,233	$22,644	$21,434	$22,727	($916)	$10,444	($3,147)	($756)
Conrail	830,401	760,832	854,779	784,094	728,405	687,117	83,236	62,148	78,149	57,198
CSX Transportation	1,071,264	1,134,405	1,101,068	1,166,759	925,263	1,019,840	107,971	88,451	117,211	102,021
Florida East Coast	30,725	30,026	31,336	30,605	27,087	25,120	4,019	9,989	1,761	(942)
Grand Trunk Western	67,233	66,448	70,456	68,175	80,983	72,887	(8,994)	781	(8,796)	(5,534)
Illinois Central Gulf	131,881	125,591	139,182	132,317	124,163	120,836	3,214	4,067	13,895	11,700
Norfolk Southern 1/	889,892	779,802	919,608	804,848	664,720	1,265,788	174,371	(247,433)	163,305	(246,206)
TOTAL EASTERN DISTRICT	$3,039,065	$2,918,559	$3,134,662	$3,009,442	$2,573,055	$3,214,315	$362,901	($71,553)	$362,378	($82,519)
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$511,866	$500,140	$523,612	$510,741	$472,018	$443,581	$34,974	$47,229	$29,984	$32,938
Burlington Northern	1,118,034	1,046,080	1,139,480	1,065,446	936,848	858,732	111,843	135,406	135,902	114,498
Chicago & North Western	196,502	168,169	223,945	195,295	201,765	180,947	11,730	11,294	11,158	13,992
Denver & Rio Grande Western	72,120	67,592	73,197	68,546	60,759	62,965	5,798	3,212	8,873	4,423
Kansas City Southern	75,785	72,503	79,830	76,302	65,239	60,672	9,556	7,824	9,713	9,299
Missouri-Kansas-Texas 2/	-	60,364	-	62,760	-	57,391	-	3,722	-	5,784
Soo Line	129,128	139,614	133,771	144,401	124,193	165,487	5,696	(9,933)	7,105	(11,761)
Southern Pacific	463,372	469,453	489,841	490,206	474,274	472,191	55,071	60,788	(3,893)	20,923
St. Louis Southwestern	95,006	94,967	97,406	97,225	82,491	79,667	10,397	10,996	9,296	9,524
Union Pacific 2/	1,065,636	955,108	1,088,105	970,339	878,761	797,381	132,068	106,971	143,373	128,138
TOTAL WESTERN DISTRICT	$3,727,449	$3,573,990	$3,849,187	$3,681,261	$3,306,348	$3,179,014	$377,133	$377,509	$351,511	$327,758
GRAND TOTAL - UNITED STATES	$6,766,514	$6,492,549	$6,983,849	$6,690,703	$5,879,403	$6,393,329	$740,034	$305,956	$713,889	$245,239

Footnotes:

1. Norfolk Southern's (NS) 1987 figures for Total Operating Expenses, Ordinary Income and Net Railway Operating Income include a Special Charge related principally to rail restructuring.

2. Effective August 1988, the Missouri-Kansas-Texas Railroad (MKT) assets were purchased by the Missouri Pacific Railroad (MP). MP's figures for the third quarter 1988, which include MKT's August and September 1988 results, are included in the combined Union Pacific (UP) figures. MKT's July 1988 figures were not available for inclusion in the third quarter figures. The 1987 MKT and UP figures reflect the separate ownership that existed at that time.

YEAR-TO-DATE

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
Railroad & District	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987
EASTERN DISTRICT										
Boston & Maine	$44,472	$66,682	$45,834	$70,191	$57,985	$72,654	($6,114)	$12,021	($11,949)	($3,086)
Conrail	2,453,738	2,285,961	2,526,575	2,357,668	2,183,747	2,075,586	227,996	187,868	210,899	160,601
CSX Transportation 1/	3,210,728	3,348,784	3,295,525	3,445,798	3,554,003	3,022,861	(147,690)	233,774	(163,627)	301,009
Florida East Coast	100,343	93,722	102,052	95,573	80,683	72,896	19,738	22,231	9,303	7,052
Grand Trunk Western	225,493	217,155	234,885	223,811	244,481	232,790	(5,793)	(885)	(6,185)	(6,785)
Illinois Central Gulf 1/	399,815	384,171	419,810	417,591	405,966	385,310	(15,258)	6,940	16,524	32,772
Norfolk Southern 2/	2,594,091	2,386,502	2,676,498	2,466,861	2,005,474	2,600,038	446,663	(3,577)	425,273	(100,828)
TOTAL EASTERN DISTRICT	$9,028,680	$8,782,977	$9,301,179	$9,077,493	$8,532,339	$8,462,135	$519,542	$458,372	$480,238	$390,735
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$1,568,578	$1,448,230	$1,604,236	$1,479,098	$1,433,325	$1,326,263	$108,405	$92,733	$106,621	$86,422
Burlington Northern	3,308,845	2,914,604	3,370,864	2,973,448	2,844,005	2,532,316	299,598	259,771	343,566	265,477
Chicago & North Western 1/	566,376	498,616	648,774	577,208	609,246	545,881	32,943	21,670	37,673	31,563
Denver & Rio Grande Western	211,306	193,006	214,086	195,386	190,669	188,031	10,567	4,279	17,097	6,276
Kansas City Southern	219,168	215,907	231,112	227,168	188,182	182,192	25,901	23,264	28,713	27,716
Missouri-Kansas-Texas 3/	33,868	174,136	139,380	181,222	119,581	169,025	24,115	8,538	20,902	13,452
Soo Line	403,145	429,375	417,254	443,209	387,245	451,970	19,865	(5,099)	19,671	(2,161)
Southern Pacific	1,414,628	1,370,889	1,485,073	1,431,878	1,437,523	1,416,681	168,879	107,696	10,064	26,478
St. Louis Southwestern	292,752	278,796	298,873	284,157	249,331	237,337	33,442	29,119	30,237	25,412
Union Pacific 3/	3,101,082	2,795,905	3,160,704	2,847,975	2,587,764	2,323,465	360,699	316,976	398,859	360,535
TOTAL WESTERN DISTRICT	$11,219,748	$10,319,464	$11,570,356	$10,640,749	$10,046,871	$9,373,161	$1,084,414	$858,947	$1,013,403	$841,170
GRAND TOTAL - UNITED STATES	$20,248,428	$19,102,441	$20,871,535	$19,718,242	$18,579,210	$17,835,296	$1,603,956	$1,317,319	$1,493,641	$1,231,905

Footnotes:

1. The 1988 Year-to-Date figures for CSX Transportation (CSX), Illinois Central Gulf (ICG), and Chicago & North Western (CNW) include Special Charges which are detailed below:

	CSX	ICG	CNW	TOTAL
		(MILLIONS)		
Operating Expenses	$724.0	$35.0	$9.0	$768.0
Ordinary Income	-457.6	-31.4	-7.1	-496.1
Net Railway Operating Income	-457.6	-31.4	-7.1	-496.1

2. The 1987 figures for Norfolk Southern include a Special Charge taken during the third quarter which increased Operating Expenses ($607.3 million) and reduced Ordinary Income and Net Railway Operating Income ($344.3 million).

3. The 1988 Year-to-Date figures for Missouri-Kansas-Texas (MKT) reflect its operations as a separate entity for the first seven months of 1988; figures for MKT July 1988 results are not included at this time. Effective August 1988, the Missouri Pacific Railroad (MP) purchased the assets of MKT. MP figures for 1988 Year-to-Date and MKT's 1988 August and September figures are included in the combined 1988 Union Pacific results. The 1987 Year-to-Date figures for MKT and UP reflect the separate ownership that existed at that time.

RAILROAD FINANCIAL TRENDS

CLASS I RAILROADS IN THE UNITED STATES

QUARTERLY TRENDS

(Dollars in Thousands) (Revenue Ton-Miles in Millions)

YEAR	QTR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	1Q	$7,190,176	$6,821,344	$216,107	$203,812	207,428	$416,546
1982	2Q	7,222,128	6,820,596	340,175	265,014	208,026	513,393
1982	3Q	6,612,549	6,500,484	161,042	114,512	190,884	461,361
1982	4Q	6,481,840	6,330,777	424,855	183,569	192,771	583,452
1983	1Q	6,487,332	6,125,837	173,249	256,027	196,120	227,406
1983	2Q	6,695,033	6,345,586	254,985	234,271	203,900	505,256
1983	3Q	6,808,425	6,319,364	370,966	399,120	211,293	364,503
1983	4Q	6,936,757	6,396,154	430,111	385,417	215,455	709,842
1984	1Q	7,450,891	6,619,225	592,570	564,265	231,377	647,046
1984	2Q	7,545,074	6,471,295	809,430	767,455	235,017	1,161,001
1984	3Q	7,415,336	6,351,473	769,434	730,603	233,685	1,324,635
1984	4Q	7,047,978	6,362,869	487,697	481,685	221,671	1,176,891
1985	1Q	7,001,951	6,380,907	417,682	390,307	220,655	698,573
1985	2Q	7,068,280	6,153,453	639,652	646,301	222,844	1,335,952
1985	3Q	6,743,425	5,914,490	646,157	573,439	216,223	132,693
1985	4Q	6,744,921	6,736,414	84,893	158,804	216,304	1,135,973
1986	1Q	6,700,129	6,039,660	402,041	410,132	218,600	668,187
1986	2Q	6,640,668	6,116,913	30,817	704,965	215,716	1,099,717
1986	3Q	6,428,042	5,986,052	340,841	333,979	218,331	1,060,893
1986	4Q	6,466,397	6,778,534	(35,751)	(279,365)	221,688	806,842
1987	1Q	6,445,818	5,751,819	443,522	403,288	226,393	464,360
1987	2Q	6,624,765	5,733,320	555,758	572,154	230,601	862,449
1987	3Q	6,712,041	6,414,582	299,286	239,029	242,258	932,042
1987	4Q	6,840,367	5,981,573	690,167	537,840	248,769	782,772
1988	1Q	6,867,570	6,033,676	522,689	569,280	247,243	569,618
1988	2Q	7,008,739	6,648,616	346,601	225,204	250,907	954,742
1988	3Q	6,983,849	5,879,403	740,034	713,889	248,606	1,039,491

ANNUAL TRENDS

(Dollars in Thousands) (Revenue Ton-Miles in Millions)

YEAR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	$27,503,503	$26,490,278	$1,151,548	$742,231	797,759	$2,165,941
1983	26,729,392	24,106,254	1,777,916	1,837,854	828,275	2,760,909
1984	29,453,446	25,800,454	2,653,814	2,536,673	921,542	3,744,395
1985	27,586,441	25,225,295	1,788,151	1,746,386	876,984	4,422,903
1986	26,204,122	24,896,015	746,941	514,727	867,722	3,635,985r
1987	26,622,991	23,881,294	1,988,732	1,752,311	948,021	3,041,623

r - Revised.

NOTES TO RAILROAD FINANCIAL TRENDS:

1. Figures shown under Annual Trends include all revisions to data and may vary substantially from total of individual quarters which reflect no revisions and are considered preliminary.

2. Beginning with 1983 annual figures and 1984 quarterly figures, the Interstate Commerce Commission required a change in Class I railroad reporting from Retirement, Replacement, Betterment (RRB) accounting to Depreciation accounting for track structure. This required change distorts comparisons of above trends for Operating Expenses, Ordinary Income, Net Railway Operating Income, and Capital Expenditures.

3. There is a modest distortion created in the above trends due to changes in the Class I Railroad consist. Several railroads have been reclassified to non Class I since 1982; they include the Long Island (eff. 1Q 1983), the Bessemer & Lake Erie (eff. 1Q 1985), the Pittsburgh & Lake Erie (eff. 1Q 1985), the Duluth Missage and Iron Range (eff. 1Q 1985), and the Elgin Joliet and Eastern (eff. 4Q 1986).

4. The Annual and Quarterly Trends include Special Charges, covering asset writedowns and employee buyouts. Special Charges were taken by the CSX in 4Q 1985, the UP in 2Q 1986, the BN in 2Q 1986, the ICG in 3Q 1986, the ATSF in 4Q 1986, the SP in 4Q 1986, the SSW in 4Q 1986, the KCS in 4Q 1986, the SOO in 4Q 1986, the NSC in 3Q 1987, ICG in 1Q 1988, CSX in 2Q 1988, and the CNW in 2Q 1988. These special charges distort trend comparisons for Operating Expenses, Ordinary Income, and Net Railway Operating Income. The UP special charge is included in the annual (1986) calculation of NROI, but is shown as an Unusual & Infrequent Item for the quarterly calculation of NROI.

5. RE&I figures exclude for 1988 the financial and statistical data for the Delaware and Hudson Railway.

ECONOMICS AND FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW

A3225-1
5/18/89

ASSOCIATION OF AMERICAN RAILROADS

FOURTH QUARTER
R&E SERIES NO. 736

RAILROAD REVENUES, EXPENSES, AND INCOME
CLASS I RAILROADS IN THE UNITED STATES
(DOLLARS IN THOUSANDS)

ACCOUNT	FOR THE FOURTH QUARTER			FOR TWELVE MONTHS ENDED DEC. 31		
	1988	1987	%Change	1988	1987	%Change
FREIGHT	$6,886,334	$6,618,104	4.08%	$27,134,762	$25,718,545	5.51%
PASSENGER	21,340	20,758	2.80%	84,677	95,667	-11.49%
PASSENGER - RELATED	48	48	-4.17%	176	248	-29.03%
ALL OTHER OPERATING REVENUES	195,650	183,769	6.47%	745,538	717,022	3.98%
JOINT FACILITY ACCOUNT	3,710	3,219	15.26%	13,462	10,658	26.31%
OPERATING REVENUES	$7,107,080	$6,823,898	4.15%	$27,978,615	$26,542,140	5.41%
DEPRECIATION - ROAD	$309,217	$258,475	19.63%	$1,199,740	$1,241,926	-3.40%
ALL OTHER WAY AND STRUCTURES	826,199	793,245	4.15%	3,205,062	3,073,027	4.30%
TOTAL WAY AND STRUCTURES	1,135,416	1,051,720	7.96%	4,404,802	4,314,953	2.08%
DEPRECIATION - EQUIPMENT	261,377	238,857	9.43%	1,009,600	978,310	3.20%
ALL OTHER EQUIPMENT	1,291,691	1,290,998	0.05%	5,124,542	5,061,922	1.24%
TOTAL EQUIPMENT	1,553,068	1,529,855	1.52%	6,134,142	6,040,232	1.55%
TRANSPORTATION - TRAIN AND YARD	2,423,183	2,408,840	0.60%	9,360,225	8,942,305	4.67%
TRANSPORTATION - SPECIALIZED SERV. & ADM.	374,480	241,174	55.27%	1,440,239	1,383,073	4.13%
GENERAL AND ADMINISTRATIVE	794,886	726,055	9.48%	3,543,407	3,112,377	13.85%
OPERATING EXPENSES	$6,281,033	$5,957,644	5.43%	$24,882,815	$23,792,940	4.58%
NET REVENUE RAIL OPERATIONS	826,047	866,254	-4.64%	3,095,800	2,749,200	12.61%
OTHER INCOME	$582,329	$421,213	38.26%	$1,470,809	$1,352,272	8.77%
INCOME FROM AFFILIATED COMPANIES:						
DIVIDENDS	25,146	25,526	-1.49%	104,719	48,358	116.56%
EQUITY IN UNDISTRIBUTED EARNINGS (LOSSES)	81,218	6,402	858.23%	87,433	68,662	27.34%
TOTAL INCOME FROM AFFILIATED COMPANIES	86,364	31,928	170.50%	192,152	117,018	64.21%
MISCELLANEOUS DEDUCTIONS FROM INCOME	103,867	60,494	71.70%	249,807	257,723	-3.07%
INCOME AVAILABLE FOR FIXED CHARGES	$1,390,873	$1,258,901	10.48%	$4,508,954	$3,960,767	13.84%
INTEREST ON FUNDED DEBT	200,882	205,496	-2.24%	791,670	817,161	-3.12%
INTEREST ON UNFUNDED DEBT	41,654	14,573	185.83%	125,745	70,397	78.62%
AMORTIZATION OF DISCOUNT ON FUNDED DEBT	3,907	3,750	4.19%	13,269	12,652	4.88%
TOTAL FIXED CHARGES	246,443	223,818	10.11%	930,684	900,210	3.39%
INCOME AFTER FIXED CHARGES	1,144,430	1,035,083	10.56%	3,578,270	3,060,557	16.92%
OTHER DEDUCTIONS	2,550	2,629	-3.00%	10,289	11,215	-8.26%
UNUSUAL OR INFREQUENT ITEMS (DEBIT) CREDIT	(82,000)			(82,000)		
INCOME (LOSS) FR.CONT.OPER.BEF.INC.TAXES	$1,059,880	$1,032,454	2.66%	$3,485,981	$3,049,342	14.32%
INCOME TAXES ON ORDINARY INCOME	131,792	187,245	-29.62%	600,799	650,517	-7.64%
PROVISION FOR DEFERRED INCOME TAXES	213,150	147,065	44.94%	566,288	400,792	41.29%
INCOME (LOSS) FR.CONT.OPER.AFT.INC.TAXES	$714,938	$698,144	2.41%	$2,318,894	$1,998,033	16.06%
INCOME OR (LOSS) FR.OPER.OF DISCONT.SEG.						
GAIN OR (LOSS) ON DISP.OF DISCONT.SEG.						
ORDINARY INCOME	$714,938	$698,144	2.41%	$2,318,894	$1,998,033	16.06%
EXTRAORDINARY ITEMS (NET)	($183,429)	$2,256		($193,579)	$32,074	
INCOME TAXES ON EXTRAORD. ITEMS	37,356	(225)		37,356	425	
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS	183,470			155,496		
CUM.EFFECT CHANGES IN ACCT.PRIN.	15,649	57,247	-72.66%	75,822	57,247	32.45%
NET INCOME	747,983	757,421	-1.25%	2,403,987	2,087,779	15.15%
INCOME FROM LEASE OF ROAD AND EQUIPMENT	(268)	(539)	50.28%	(1,090)	(1,888)	42.27%
RENT FOR LEASED ROADS AND EQUIPMENT	8,730	13,801	-36.74%	33,013	63,687	-48.16%
NET RAILWAY OPERATING INCOME	$489,567	$545,206	-10.21%	$1,960,636	$1,759,690	11.42%
DIVIDENDS ON COMMON STOCK	$351,293	$450,559	-22.03%	$1,797,401	$1,241,766	44.75%
DIVIDENDS ON PREFERRED STOCK	704	1,728	-59.26%	5,848	10,244	-42.93%
**** RATIOS ****						
EXPENSES TO REVENUES	88.377%	87.308%		88.935%	89.642%	
TOTAL MAINTENANCE TO REVENUES	37.828%	37.831%		37.668%	39.014%	
TRANSPORTATION TO REVENUES	39.364%	38.834%		38.603%	38.902%	
CASH FLOW	$1,437,464	$1,336,139	7.58%	$5,007,089	$4,550,390	10.04%

REPORT EXCLUDES D&H.

RATE OF RETURN* ON PROPERTY INVESTMENT
TWELVE MONTHS ENDED DECEMBER 31, 1988
(DOLLARS IN THOUSANDS)

	AVERAGE NET INVESTMENT**		NET OPERATING INCOME		RATE OF RETURN*	
	1988	1987	1988	1987	1988	1987
EASTERN DISTRICT	$17,293	$17,132	$819	$648	4.74%	3.78%
WESTERN DISTRICT	17,245	16,926	1,142	1,112	6.62	6.57
UNITED STATES	$34,537	$34,058	$1,961	$1,760	5.68%	5.17%

NOTE: *Preliminary to ICC's 1988 changes in ROI in regard to: (1.) special charges, (2.) interest income, (3.) tax allocation, (4.) entity principle and (5.) predecessor costs.
**Average net investment reduced by accumulated deferred income tax credits.

1

FOR THE FOURTH QUARTER

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(DOLLARS IN THOUSANDS)

District & Railroad	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987
EASTERN DISTRICT										
Boston & Maine	$18,981	$14,842	$19,722	$15,331	$19,328	$17,877	$1,586	$836	$448	($2,472)
Conrail	857,584	798,688	881,872	822,394	758,124	696,731	77,828	79,114	77,928	73,556
CSX Transportation	1,112,887	1,153,107	1,147,287	1,188,354	990,176	1,052,606	99,956	120,923	77,488	91,245
Florida East Coast	38,484	33,968	39,212	34,685	25,419	26,053	16,317	7,377	3,951	4,090
Grand Trunk Western	86,821	80,162	90,074	83,909	80,039	81,387	8,305	1,153	7,585	1,104
Illinois Central Gulf	128,844	124,636	136,576	131,045	132,489	127,667	958	(5,430)	3,436	2,680
Norfolk Southern	910,639	842,479	940,154	868,693	674,287	680,010	185,427	171,882	167,681	104,441
TOTAL EASTERN DISTRICT	$3,154,240	$3,047,882	$3,254,897	$3,144,411	$2,679,862	$2,681,331	$390,357	$375,655	$338,515	$274,644
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$524,184	$479,041	$535,875	$490,023	$488,333	$456,955	$44,773	$24,105	$23,411	$16,885
Burlington Northern	1,106,290	1,034,612	1,128,204	1,055,261	993,456	895,729	64,792	101,993	93,621	95,786
Chicago & North Western	185,191	174,876	211,627	199,868	203,832	199,483	39,521	(1,801)	(4,982)	1,812
Denver & Rio Grande Western	76,823	63,974	77,917	65,647	67,283	61,176	8,190	1,553	7,042	3,204
Kansas City Southern	75,299	74,886	79,446	78,674	75,953	64,357	(48,401)	8,020	41,753	8,540
Missouri-Kansas-Texas	–	58,333	–	60,548	–	51,752	–	14,516	–	9,335
Soo Line	128,701	140,217	133,129	146,219	123,927	131,815	5,873	4,280	5,581	11,586
Southern Pacific	436,466	472,567	482,976	493,378	609,592	478,934	87,769	60,849	(151,674)	923
St. Louis Southwestern	85,898	87,578	88,741	89,939	130,714	82,832	(12,032)	3,995	(22,563)	4,184
Union Pacific	1,113,242	982,136	1,134,468	999,930	908,081	873,280	136,298	104,979	158,863	118,307
TOTAL WESTERN DISTRICT	$3,732,094	$3,568,222	$3,852,383	$3,679,487	$3,601,171	$3,296,313	$324,581	$322,489	$151,052	$270,562
GRAND TOTAL – UNITED STATES	$6,886,334	$6,616,104	$7,107,080	$6,823,898	$6,281,033	$5,957,644	$714,938	$698,144	$489,567	$545,206

Notes:

Effective August 1988, the Missouri-Kansas-Texas Railroad (MKT) assets were purchased by the Missouri Pacific Railroad (MP). MP's figures for the fourth quarter 1988, which include MKT's fourth quarter 1988 results, are included in the combined Union Pacific (UP) figures. The 1987 MKT and UP figures reflect the separate ownership that existed at that time.

YEAR-TO-DATE

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(DOLLARS IN THOUSANDS)

Railroad & District	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987
EASTERN DISTRICT										
Boston & Maine	$83,453	$81,524	$85,556	$85,522	$77,313	$90,531	($4,548)	$12,657	($11,501)	($5,558)
Conrail	3,311,322	3,084,649	3,408,247	3,180,062	2,941,871	2,772,317	305,824	266,982	288,825	234,157
CSX Transportation	4,323,615	4,501,891	4,442,812	4,634,152	4,544,179	4,075,487	(47,734)	337,267	(86,139)	374,824
Florida East Coast	138,827	127,690	141,264	130,258	106,102	97,949	36,055	29,608	13,254	11,142
Grand Trunk Western	312,314	297,317	324,959	307,720	324,520	314,177	2,512	268	1,400	(5,681)
Illinois Central Gulf	528,659	508,807	556,388	548,638	538,455	512,977	(14,300)	1,510	19,980	35,461
Norfolk Southern	3,504,730	3,228,981	3,616,652	3,335,554	2,679,761	3,260,048	632,090	168,305	592,954	3,613
TOTAL EASTERN DISTRICT	$12,182,920	$11,830,859	$12,555,878	$12,221,904	$11,212,201	$11,123,486	$909,899	$816,597	$816,753	$647,958
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$2,092,762	$1,927,271	$2,140,111	$1,969,121	$1,921,858	$1,783,218	$153,178	$116,838	$130,032	$103,307
Burlington Northern	4,415,135	3,949,216	4,499,068	4,028,709	3,837,461	3,428,045	364,390	361,764	437,187	361,263
Chicago & North Western	751,567	673,492	880,401	777,076	813,078	745,364	72,464	19,869	32,691	33,375
Denver & Rio Grande Western	288,129	256,980	292,003	261,033	257,952	249,207	16,757	5,832	24,139	9,480
Kansas City Southern	294,487	290,793	310,558	305,842	264,135	246,549	(22,500)	31,284	70,466	36,256
Missouri-Kansas-Texas	133,888	232,469	139,380	241,770	119,581	220,777	24,115	23,054	20,902	22,787
Soo Line	531,846	569,592	550,383	589,428	511,172	583,785	25,538	(819)	25,252	9,425
Southern Pacific	1,851,094	1,843,458	1,948,048	1,925,258	2,047,115	1,895,615	258,048	188,545	(141,610)	27,401
St. Louis Southwestern	378,650	366,374	387,614	374,096	380,045	320,169	21,410	33,114	7,674	29,596
Union Pacific	4,214,324	3,778,043	4,295,172	3,847,905	3,518,417	3,196,745	496,995	421,955	535,150	478,842
TOTAL WESTERN DISTRICT	$14,961,842	$13,887,988	$15,422,739	$14,320,236	$13,670,814	$12,669,474	$1,408,995	$1,181,436	$1,141,883	$1,111,732
GRAND TOTAL - UNITED STATES	$27,134,762	$25,718,545	$27,978,615	$26,542,140	$24,882,815	$23,792,940	$2,318,894	$1,998,033	$1,960,636	$1,759,690

Notes:

1. The 1988 Year-to-Date figures for CSX Transportation (CSX), Illinois Central Gulf (ICG), and Chicago & North Western (CNW) include Special Charges which are detailed below:

	CSX	ICG	CNW	TOTAL
	(Millions)			
Operating Expenses	$724.0	$35.0	$9.0	$768.0
Ordinary Income	-457.6	-31.4	-7.1	-496.1
Net Railway Operating Income	-457.6	-31.4	-7.1	-496.1

2. The 1987 Year-to-Date figures for Norfolk Southern include a Special Charge which increased Operating Expenses ($607.3 million) and reduced Ordinary Income and Net Railway Operating Income ($344.3 million).

3. The 1988 Year-to-Date figures for Missouri-Kansas-Texas (MKT) reflect its operations as a separate entity for the first seven months of 1988; figures for MKT July 1988 results are not included at this time. Effective August 1988, the Missouri Pacific Railroad (MP) purchased the assets of MKT. MP figures for 1988 Year-to-Date and MKT's 1988 August through December results are included in the combined 1988 Union Pacific results. The 1987 Year-to-Date figures for MKT and UP reflect the separate ownership that existed at that time.

RAILROAD FINANCIAL TRENDS

CLASS I RAILROADS IN THE UNITED STATES

QUARTERLY TRENDS

		(Dollars in Thousands)			(Revenue Ton-Miles in Millions)		
YEAR	QTR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	1Q	$7,190,176	$6,821,344	$216,107	$203,812	207,428	$416,646
1982	2Q	7,222,128	6,820,596	340,175	266,014	208,026	513,393
1982	3Q	6,612,549	6,500,484	161,042	114,512	190,884	461,361
1982	4Q	6,481,840	6,330,777	424,856	183,569	192,771	583,452
1983	1Q	6,487,332	6,125,837	173,249	256,027	196,120	227,406
1983	2Q	6,696,033	6,345,586	254,965	234,271	203,900	505,256
1983	3Q	6,808,425	6,319,364	370,966	399,120	211,293	364,503
1983	4Q	6,936,757	6,396,154	430,111	385,417	215,455	709,842
1984	1Q	7,450,891	6,619,225	592,570	564,265	231,377	647,046
1984	2Q	7,545,074	6,471,296	809,430	787,456	235,017	1,161,001
1984	3Q	7,415,336	6,351,473	769,434	750,603	233,685	1,324,635
1984	4Q	7,047,978	6,382,869	487,697	481,685	221,671	1,176,891
1985	1Q	7,001,951	6,380,907	417,682	390,307	220,655	698,573
1985	2Q	7,088,280	6,153,453	639,652	646,301	222,844	1,335,952
1985	3Q	6,743,425	5,914,490	646,157	573,439	216,223	132,693
1985	4Q	6,744,921	6,736,414	84,893	158,804	216,304	1,135,973
1986	1Q	6,700,129	6,039,660	402,041	410,132	218,600	668,187
1986	2Q	6,640,668	6,116,913	30,817	704,955	215,718	1,099,717
1986	3Q	6,428,042	5,966,052	340,841	333,979	218,331	1,060,893
1986	4Q	6,466,397	6,778,534	(35,751)	(279,365)	221,688	806,842
1987	1Q	6,445,818	5,751,819	443,522	403,268	226,393	464,360
1987	2Q	6,624,766	5,733,320	565,758	572,154	230,601	862,449
1987	3Q	6,712,041	6,414,582	299,256	239,029	242,258	932,042
1987	4Q	6,840,367	5,981,573	690,187	537,640	248,769	782,772
1988	1Q	6,867,570	6,033,676	522,689	589,280	247,243	589,618
1988	2Q	7,008,739	6,848,616	346,601	225,204	250,907	954,742
1988	3Q	6,983,849	5,879,403	740,034	713,889	248,606	1,039,491
1988	4Q	7,107,060	6,281,033	714,908	689,567	257,732	986,860

ANNUAL TRENDS

	(Dollars in Thousands)			(Revenue Ton-Miles in Millions)		
YEAR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	$27,503,503	$26,490,278	$1,151,548	$742,231	797,759	$2,185,941
1983	26,729,392	24,106,254	1,777,916	1,837,854	826,275	2,760,906
1984	29,453,446	25,800,454	2,653,814	2,536,673	921,542	3,744,396
1985	27,586,441	26,225,295	1,788,151	1,746,366	876,964	4,422,903
1986	26,204,122	24,896,015	748,941	506,591r	887,722	3,600,682r
1987	26,622,482r	23,878,116r	1,965,475r	1,756,460r	943,747r	2,970,805r
1988	27,978,615	24,882,815	2,318,894	1,960,636	1,000,879	3,550,066

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NOTES TO RAILROAD FINANCIAL TRENDS:

1. Figures shown under Annual Trends are based on the Annual Report (R-1) to the Interstate Commerce Commission and may vary substantially from the RE&I quarterly data which are considered preliminary.

2. Beginning with 1983 annual figures and 1984 quarterly figures, the Interstate Commerce Commission required a change in Class I railroad reporting from Retirement, Replacement, Betterment (RRB) accounting to Depreciation accounting for track structures. This required change distorts comparisons of above trends for Operating Expenses, Operating Income, Net Railway Operating Income, and Capital Expenditures.

3. There is a modest distortion created in the above trends due to changes in the Class I Railroad consist. Several railroads have been reclassified to non Class I since 1982: they include the Long Island (eff. 1Q 1983), the Bessemer & Lake Erie (eff. 1Q 1985), the Pittsburgh & Lake Erie (eff. 1Q 1985), the Duluth Missabe and Iron Range (eff. 1Q 1985), and the Elgin Joliet and Eastern (eff. 4Q 1986). The Delware and Hudson Railway is not included for 1988.

4. The Annual and Quarterly Trends include Special Charges, covering asset writedowns and employee buyouts. Special Charges were taken by the CSX in 4Q 1985, the UP in 2Q 1986, the BN in 2Q 1986, the ICG in 3Q 1986, the ATSF in 4Q 1986, the SP in 4Q 1986, the SSW in 4Q 1986, the KCS in 4Q 1986, the SOO in 4Q 1986, the NSC in 3Q 1987, the ICG in 1Q 1988, the CSX in 2Q 1988, and the CNW in 2Q 1988. These special charges distort trend comparisons for Operating Expenses, Ordinary Income, and Net Railway Operating Income. The UP special charge is included in the annual (1986) calculation of NROI, but is shown as an Unusual & Infrequent Item for the quarterly calculation of NROI.

ECONOMICS AND FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001

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ASSOCIATION OF AMERICAN RAILROADS

FIRST QUARTER
R&E SERIES NO. 737

RAILROAD REVENUES, EXPENSES, AND INCOME
CLASS I RAILROADS IN THE UNITED STATES
(DOLLARS IN THOUSANDS)

ACCOUNT	FOR THE FIRST QUARTER			FOR THREE MONTHS ENDED MARCH 31		
	1989	1988	%Change	1989	1988	%Change
FREIGHT	$6,779,383	$6,677,428	1.53%	$6,779,383	$6,677,428	1.53%
PASSENGER	21,906	20,848	5.08%	21,906	20,848	5.08%
PASSENGER - RELATED	7,818	47		7,818	47	
ALL OTHER OPERATING REVENUES	183,486	177,273	3.49%	183,486	177,273	3.49%
JOINT FACILITY ACCOUNT	3,279	3,353	-2.21%	3,279	3,353	-2.21%
OPERATING REVENUES	$6,995,851	$6,878,947	1.70%	$6,995,851	$6,878,947	1.70%
DEPRECIATION - ROAD	$302,988	$299,949	1.01%	$302,988	$299,949	1.01%
ALL OTHER WAY AND STRUCTURES	835,566	809,797	3.18%	835,566	809,797	3.18%
TOTAL WAY AND STRUCTURES	1,138,554	1,109,746	2.60%	1,138,554	1,109,746	2.60%
DEPRECIATION - EQUIPMENT	259,332	249,667	3.87%	259,332	249,667	3.87%
ALL OTHER EQUIPMENT	1,353,920	1,298,089	4.30%	1,353,920	1,298,089	4.30%
TOTAL EQUIPMENT	1,613,252	1,547,756	4.23%	1,613,252	1,547,756	4.23%
TRANSPORTATION - TRAIN AND YARD	2,380,375	2,360,192	1.28%	2,380,375	2,360,192	1.28%
TRANSPORTATION - SPECIALIZED SERV. & ADM.	371,498	363,617	2.20%	371,498	363,617	2.20%
GENERAL AND ADMINISTRATIVE	751,403	669,980	12.15%	751,403	669,980	12.15%
OPERATING EXPENSES	$6,265,082	$6,051,191	3.53%	$6,265,082	$6,051,191	3.53%
NET REVENUE RAIL OPERATIONS	$730,769	$827,756	-11.72%	$730,769	$827,756	-11.72%
OTHER INCOME	$310,896	$190,029	63.61%	$310,896	$190,029	63.61%
INCOME FROM AFFILIATED COMPANIES:						
DIVIDENDS	4,294	25,931	-83.56%	4,294	25,931	-83.56%
EQUITY IN UNDISTRIBUTED EARNINGS (LOSSES)	29,055	11,956	149.53%	29,055	11,956	149.53%
TOTAL INCOME FROM AFFILIATED COMPANIES	33,349	37,887	-11.28%	33,349	37,887	-11.28%
MISCELLANEOUS DEDUCTIONS FROM INCOME	31,992	39,948	-19.92%	31,992	39,948	-19.92%
INCOME AVAILABLE FOR FIXED CHARGES	$1,043,024	$1,015,424	2.72%	$1,043,024	$1,015,424	2.72%
INTEREST ON FUNDED DEBT	201,677	196,159	2.81%	201,677	196,159	2.81%
INTEREST ON UNFUNDED DEBT	36,041	25,159	43.25%	36,041	25,159	43.25%
AMORTIZATION OF DISCOUNT ON FUNDED DEBT	4,288	2,881	48.84%	4,288	2,881	48.84%
TOTAL FIXED CHARGES	242,006	224,199	7.94%	242,006	224,199	7.94%
INCOME AFTER FIXED CHARGES	$801,018	$791,225	1.24%	$801,018	$791,225	1.24%
OTHER DEDUCTIONS	2,541	2,595	-2.08%	2,541	2,595	-2.08%
UNUSUAL OR INFREQUENT ITEMS (DEBIT) CREDIT						
INCOME (LOSS) FR.CONT.OPER.BEF.INC.TAXES	$798,477	$788,630	1.25%	$798,477	$788,630	1.25%
INCOME TAXES ON ORDINARY INCOME	139,454	125,332	11.27%	139,454	125,332	11.27%
PROVISIONS FOR DEFERRED INCOME TAXES	151,533	151,362	0.09%	151,533	151,362	0.09%
INCOME (LOSS) FR.CONT.OPER.AFT.INC.TAXES	$507,490	$511,906	-0.86%	$507,490	$511,906	-0.86%
INCOME OR (LOSS) FR.OPER.OF DISCONT.SEG.		5,528			5,528	
GAIN OR (LOSS) ON DISP.OF DISCONT.SEG.						
ORDINARY INCOME	$507,490	$517,434	-1.92%	$507,490	$517,434	-1.92%
EXTRAORDINARY ITEMS (NET)		(484)			(484)	
INCOME TAXES ON EXTRAORD. ITEMS						
PROV.FOR DEF.TAXES--EXTRAORD.ITEMS						
CUM.EFFECT CHANGES IN ACCT.PRIN.	193,714	60,173	221.93%	193,714	60,173	221.93%
NET INCOME	$701,204	$578,101	21.29%	$701,204	$578,101	21.29%
INCOME FROM LEASE OF ROAD AND EQUIPMENT	(4,582)	(3,519)	30.21%	(4,582)	(3,519)	30.21%
RENT FOR LEASED ROADS AND EQUIPMENT	7,466	8,143	-8.44%	7,466	8,143	-8.44%
NET RAILWAY OPERATING INCOME	$442,656	$555,958	-20.34%	$442,656	$555,958	-20.34%
DIVIDENDS ON COMMON STOCK	$263,980	$361,799	-26.92%	$263,980	$361,799	-26.92%
DIVIDENDS ON PREFERRED STOCK	1,232	2,298	-46.34%	1,232	2,298	-46.34%
***** RATIOS *****						
EXPENSES TO REVENUES	89.564%	87.987%		89.564%	87.987%	
TOTAL MAINTENANCE TO REVENUES	39.336%	36.632%		39.336%	36.632%	
TRANSPORTATION TO REVENUES	39.479%	39.596%		39.479%	39.596%	
CASH FLOW	$1,192,258	$1,208,786	-1.20%	$1,192,258	$1,208,786	-1.20%
REPORT EXCLUDES DAHL						

RATE OF RETURN* ON PROPERTY INVESTMENT
TWELVE MONTHS ENDED MARCH 31, 1989
(DOLLARS IN MILLIONS)

	AVERAGE NET INVESTMENT**		NET OPERATING INCOME		RATE OF RETURN*	
	1989	1988	1989	1988	1989	1988
EASTERN DISTRICT	$18,126	$17,912	$827	$724	4.56%	4.04%
WESTERN DISTRICT	18,259	17,836	1,045	1,185	5.73	6.64
UNITED STATES	$36,385	$35,748	$1,872	$1,909	5.15%	5.34%

NOTE: *Preliminary to ICC's Revenue Adequacy Determination in regard to: (1.) special charges, (2. Interest income, (3.) tax allocation, (4.) entity principle and (5.) predecessor costs.
**Average net investment, which includes an allowance for working capital, has been reduced for accumulated deferred income tax credits.

FOR THE FIRST QUARTER

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(DOLLARS IN THOUSANDS)

District & Railroad	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
EASTERN DISTRICT										
Boston & Maine	$19,983	$10,981	$20,910	$11,377	$19,406	$17,515	$9,023	($5,368)	$1,558	($6,064)
Conrail	823,270	788,430	850,217	813,064	783,426	740,784	60,362	47,771	51,760	44,663
CSX Transportation	1,082,472	1,075,486	1,107,666	1,100,782	987,940	953,875	102,459	71,291	82,661	106,908
Florida East Coast	35,180	36,529	35,784	37,119	29,350	28,590	6,350	8,408	2,602	5,461
Grand Trunk Western	80,100	77,903	84,972	81,888	81,790	83,888	4,855	(1,182)	4,409	(877)
Illinois Central 1/	141,714	138,779	148,498	145,365	157,589	163,728	(8,702)	(23,463)	(8,557)	(12,537)
Norfolk Southern	894,825	833,117	923,114	858,681	726,747	680,720	134,392	118,481	121,148	112,078
TOTAL EASTERN DISTRICT	$3,077,544	$2,961,224	$3,171,163	$3,049,054	$2,746,226	$2,666,900	$306,739	$215,938	$257,571	$249,530
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$524,915	$529,933	$537,009	$541,908	$555,129	$490,854	($3,169)	$27,837	($16,860)	$34,687
Burlington Northern	1,090,940	1,097,952	1,118,898	1,118,224	993,581	966,816	48,922	88,903	89,595	96,041
Chicago & North Western	185,370	184,616	212,005	212,202	189,802	195,330	20,184	12,715	13,989	15,720
Denver & Rio Grande Western	75,523	69,230	76,515	70,145	69,267	65,367	7,927	2,213	2,569	3,488
Kansas City Southern	66,662	69,553	71,029	74,175	62,467	60,666	7,270	7,662	4,087	8,995
Missouri-Kansas-Texas 2/	-	63,213	-	66,065	-	59,711	-	12,521	-	6,900
Soo Line	125,004	137,483	129,521	142,701	126,783	136,973	3,515	7,062	825	3,500
Southern Pacific	441,255	464,932	485,602	485,402	498,189	477,309	(13,987)	18,713	(36,272)	8,745
St. Louis Southwestern	100,144	92,775	101,820	94,736	90,836	83,053	7,586	7,491	6,355	7,390
Union Pacific	1,092,026	1,006,337	1,112,289	1,024,336	932,820	849,190	120,804	116,336	123,232	118,689
TOTAL WESTERN DISTRICT	$3,701,839	$3,716,204	$3,824,688	$3,829,893	$3,518,854	$3,384,291	$198,751	$301,496	$185,085	$306,126
GRAND TOTAL - UNITED STATES	$6,779,383	$6,677,428	$6,996,851	$6,879,947	$6,265,082	$6,051,191	$507,490	$517,434	$442,656	$555,656

Notes:

1. The 1988 and 1989 First Quarter figures for Illinois Central (IC) includes Special Charges as detailed below:

	1988	1989
	(Million)	
Operating Expenses	$35.0	$29.0
Ordinary Income	(31.4)	(20.7)
Net Railway Operating Income	(31.4)	(20.7)

2. Effective August 1988, the Missouri-Kansas-Texas Railroad (MKT) assets were purchased by the Missouri Pacific Railroad (MP). MP figures for the first quarter 1989, which include MKT's first quarter results, are included in the combined Union Pacific figures. The 1988 MKT and UP figures reflect the separate ownership that existed at that time.

YEAR-TO-DATE

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(DOLLARS IN THOUSANDS)

District & Railroad	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
EASTERN DISTRICT										
Boston & Maine	$19,983	$10,981	$20,910	$11,377	$19,406	$17,515	$9,023	($5,398)	$1,858	($6,084)
Conrail	823,270	788,430	850,217	815,084	783,426	740,784	60,362	47,771	61,760	44,663
CSX Transportation	1,082,472	1,075,485	1,107,668	1,109,782	967,940	963,875	102,459	71,291	82,861	106,808
Florida East Coast	35,180	36,529	35,784	37,119	29,350	28,590	6,350	8,408	2,602	5,461
Grand Trunk Western	80,100	77,903	84,972	81,886	81,790	83,688	4,855	(1,182)	4,409	(877)
Illinois Central 1/	141,714	138,779	148,498	146,386	157,569	163,728	(9,702)	(23,463)	(9,567)	(12,537)
Norfolk Southern	894,625	833,117	923,114	859,681	726,747	680,720	134,392	116,481	121,148	112,076
TOTAL EASTERN DISTRICT	$3,077,544	$2,961,224	$3,171,163	$3,049,054	$2,746,226	$2,666,900	$308,739	$215,938	$267,571	$249,530
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$524,915	$529,833	$537,009	$541,908	$555,129	$490,854	($3,169)	$27,837	($16,650)	$34,667
Burlington Northern	1,090,940	1,097,962	1,118,866	1,118,224	993,581	988,816	48,922	58,903	89,595	98,041
Chicago & North Western	185,370	184,616	212,005	212,202	189,802	196,330	20,184	12,718	13,869	15,720
Denver & Rio Grande Western	75,523	69,230	76,515	70,145	69,267	65,367	7,927	2,213	2,568	3,488
Kansas City Southern	66,662	69,853	71,029	74,175	62,467	60,668	7,270	7,662	4,093	8,486
Missouri-Kansas-Texas 2/	-	63,213	-	66,065	-	59,711	-	12,521	-	6,900
Soo Line	125,004	137,483	129,521	142,701	126,783	136,973	3,518	7,082	825	3,500
Southern Pacific	441,255	484,932	485,802	485,402	496,169	477,309	(13,967)	18,713	(38,922)	8,745
St. Louis Southwestern	100,144	92,775	101,820	94,736	90,836	83,053	7,585	7,491	6,356	7,390
Union Pacific	1,092,026	1,006,337	1,112,269	1,024,335	932,820	849,190	120,804	116,336	123,232	118,889
TOTAL WESTERN DISTRICT	$3,701,839	$3,716,204	$3,821,988	$3,829,893	$3,518,854	$3,384,291	$198,751	$301,498	$185,085	$306,126
GRAND TOTAL - UNITED STATES	$6,779,383	$6,677,428	$6,995,851	$6,878,947	$6,265,082	$6,051,191	$507,490	$517,434	$442,656	$555,656

Notes:

1. The 1988 and 1989 Year-to-Date figures for Illinois Central (IC) includes Special Charges as detailed below:

	1988	1989
	(Million)	
Operating Expenses	$35.0	$29.0
Ordinary Income	(31.4)	(20.7)
Net Railway Operating Income	(31.4)	(20.7)

2. Effective August 1988, the Missouri-Kansas-Texas Railroad (MKT) assets were purchased by the Missouri Pacific Railroad (MP). MP's year-to-date figures for 1989, which include MKT's year-to-date results, are included in combined Union Pacific figures. The 1988 MKT and UP figures reflect the separate ownership that existed at that time.

QUARTERLY TRENDS

		(Dollars in Thousands)			(Revenue Ton-Miles in Millions)		
YEAR	QTR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1983	1Q	$6,487,332	$6,126,837	$173,249	$256,027	196,120	$227,406
1983	2Q	6,696,033	6,345,586	264,965	234,271	203,900	505,256
1983	3Q	6,808,425	6,319,364	370,968	399,120	211,293	364,503
1983	4Q	6,936,757	6,398,154	430,111	385,417	215,455	709,842
1984	1Q	7,450,891	6,819,225	592,570	564,266	231,377	947,046
1984	2Q	7,546,074	6,471,296	809,430	767,455	236,017	1,181,001
1984	3Q	7,416,336	6,361,473	788,434	730,603	233,685	1,324,836
1984	4Q	7,047,978	6,362,869	487,897	481,685	221,671	1,176,991
1985	1Q	7,001,951	6,380,307	417,882	390,307	220,855	998,573
1985	2Q	7,088,280	6,153,483	809,862	848,301	222,844	1,305,962
1985	3Q	6,743,425	5,914,490	648,157	573,439	216,223	132,993
1985	4Q	6,744,921	6,736,414	84,893	158,804	216,304	1,135,973
1986	1Q	6,700,129	6,039,980	402,041	410,132	216,800	998,187
1986	2Q	6,840,608	6,116,913	30,817	704,966	215,716	1,099,717
1986	3Q	6,428,042	5,986,062	340,841	333,979	216,391	1,060,869
1986	4Q	6,466,387	6,775,534	(36,751)	(279,385)	221,869	806,842
1987	1Q	6,446,818	5,761,819	443,822	409,284	226,395	494,360
1987	2Q	6,334,766	5,733,320	555,758	572,154	230,801	992,449
1987	3Q	6,712,041	6,414,562	299,288	239,029	242,258	992,042
1987	4Q	6,840,387	5,961,573	690,167	537,840	248,788	782,772
1988	1Q	6,867,570	6,033,676	522,689	589,280	247,158r	589,016
1988	2Q	7,008,739	6,648,618	346,801	225,204	250,907	964,742
1988	3Q	6,963,849	5,879,403	740,034	713,889	248,808	1,038,481
1988	4Q	7,107,080	6,281,033	714,938	489,567	257,732	996,860
1989	1Q	6,996,851	6,265,062	507,490	442,866	248,812	964,168

ANNUAL TRENDS

	(Dollars in Thousands)			(Revenue Ton-Miles in Millions)		
YEAR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	$27,503,503	$26,490,279	$1,151,548	$742,231	797,759	$2,166,941
1983	26,729,392	24,106,254	1,777,918	1,837,864	828,276	2,769,909
1984	29,453,446	25,900,484	2,863,814	2,536,673	921,542	3,744,366
1985	27,596,441	25,225,295	1,758,151	1,748,398	878,984	4,422,903
1986	26,204,122	24,998,015	746,941	606,591r	867,722	3,600,662r
1987	26,822,482r	23,878,116r	1,985,475r	1,758,460r	943,747r	2,970,806r
1988	27,978,815	24,882,815	2,318,994	1,980,836	1,000,879	3,540,066

r – Revised.

NOTES TO RAILROAD FINANCIAL TRENDS:

1. Figures shown under Annual Trends are based on the Annual Report (R-1) to the Interstate Commerce Commission and may vary substantially from the R&I quarterly data which are considered preliminary.

2. Beginning with 1983 annual figures and 1984 quarterly figures, the Interstate Commerce Commission required a change in Class I railroad reporting from Retirement, Replacement, Betterment (RRB) accounting to Depreciation accounting for track structures. This required change distorts comparisons of above trends for Operating Expenses, Operating Income, Net Railway Operating Income, and Capital Expenditures.

3. There is a modest distortion created in the above trends due to changes in the Class I Railroad consist. Several railroads have been reclassified to non Class I since 1982: they include the Long Island (eff. 1Q 1983), the Bessemer & Lake Erie (eff. 1Q 1985), the Pittsburgh & Lake Erie (eff. 1Q 1985), the Duluth Missabe and Iron Range (eff. 1Q 1986), and the Elgin Joliet and Eastern (eff. 4Q 1986). The Delware and Hudson Railway is not included in 1988 and 1989.

4. The Annual and Quarterly Trends include Special Charges, covering asset writedowns and employee buyouts. Special Charges were taken by the CSX in 4Q 1985, the UP in 2Q 1986, the BN in 2Q 1986, the ICG in 3Q 1986, the ATSF in 4Q 1986, the SP in 4Q 1986, the SSW in 4Q 1986, the KCS in 4Q 1986, the SOO in 4Q 1986, the NSC in 3Q 1987, the ICG in 1Q 1988, the CSX in 2Q 1988, and the CNW in 4Q 1988 and the IC in 1Q 1989. These special charges distort trends comparisons for Operating Expenses, Ordinary Income, and Net Railway Operating Income. The UP special charge is included in the annual (1986) calculation of NROI, but is shown as an Unusual & Infrequent item for the quarterly calculation of NROI.

ECONOMICS AND FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001-1564

A3275-1

ASSOCIATION OF AMERICAN RAILROADS

SECOND QUARTER
R&E SERIES NO. 738

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(DOLLARS IN THOUSANDS)

ACCOUNT	FOR THE SECOND QUARTER			FOR SIX MONTHS ENDED JUNE 30		
	1989	1988	%Change	1989	1988	%Change
FREIGHT	$6,893,478	$6,788,664	1.54%	$13,662,878	$13,455,111	1.47%
PASSENGER	22,560	21,015	7.35%	44,488	41,861	6.22%
PASSENGER - RELATED	7,789	38		15,807	86	
ALL OTHER OPERATING REVENUES	179,617	179,831	-0.17%	362,055	356,708	1.50%
JOINT FACILITY ACCOUNT	1,985	2,967	-33.10%	5,264	6,320	-16.71%
OPERATING REVENUES	$7,105,329	$6,992,515	1.61%	$14,090,270	$13,860,085	1.59%
DEPRECIATION - ROAD	$304,982	$289,413	5.37%	$607,566	$588,996	3.15%
ALL OTHER WAY AND STRUCTURES	789,787	773,934	2.05%	1,624,647	1,582,628	2.66%
TOTAL WAY AND STRUCTURES	1,094,749	1,063,347	2.95%	2,232,213	2,171,624	2.79%
DEPRECIATION - EQUIPMENT	255,260	248,282	2.81%	514,545	497,904	3.34%
ALL OTHER EQUIPMENT	1,289,180	1,269,284	1.57%	2,636,970	2,562,003	2.93%
TOTAL EQUIPMENT	1,544,440	1,517,566	1.77%	3,151,515	3,059,907	2.99%
TRANSPORTATION - TRAIN AND YARD	2,439,708	2,313,390	5.46%	4,829,676	4,671,660	3.38%
TRANSPORTATION - SPECIALIZED SERV. & ADM.	375,485	348,875	7.63%	748,829	712,178	4.87%
GENERAL AND ADMINISTRATIVE	750,631	1,386,422	-45.86%	1,491,464	2,047,997	-27.17%
OPERATING EXPENSES	$6,205,011	$6,629,560	-6.40%	$12,450,687	$12,963,256	-1.66%
NET REVENUE RAIL OPERATIONS	$900,318	$362,936	148.07%	$1,629,583	$1,196,829	36.16%
OTHER INCOME	$320,018	$359,426	-10.96%	$623,259	$548,742	13.58%
INCOME FROM AFFILIATED COMPANIES:						
DIVIDENDS	22,858	36,172	-36.81%	27,066	62,037	-56.37%
EQUITY IN UNDISTRIBUTED EARNINGS (LOSSES)	13,918	3,005	363.16%	42,851	14,444	196.67%
TOTAL INCOME FROM AFFILIATED COMPANIES	36,774	39,177	-6.13%	69,917	76,481	-8.58%
MISCELLANEOUS DEDUCTIONS FROM INCOME	50,882	55,340	-8.06%	82,830	95,211	-13.00%
INCOME AVAILABLE FOR FIXED CHARGES	$1,206,226	$706,198	70.81%	$2,239,929	$1,726,841	29.71%
INTEREST ON FUNDED DEBT	215,570	193,032	11.68%	416,949	389,042	7.17%
INTEREST ON UNFUNDED DEBT	38,349	26,580	44.22%	74,390	51,749	43.75%
AMORTIZATION OF DISCOUNT ON FUNDED DEBT	4,241	3,493	21.41%	8,529	6,374	33.81%
TOTAL FIXED CHARGES	258,160	223,115	15.71%	499,868	447,165	11.79%
INCOME AFTER FIXED CHARGES	$948,066	$483,083	96.25%	$1,740,061	$1,279,676	35.98%
OTHER DEDUCTIONS	2,592	2,582	0.39%	5,133	5,177	-0.85%
UNUSUAL OR INFREQUENT ITEMS (DEBIT) CREDIT						
INCOME (LOSS) FR.CONT.OPER.BEF.INC.TAXES	$945,474	$480,501	96.77%	$1,734,928	$1,274,499	36.13%
INCOME TAXES ON ORDINARY INCOME	175,289	211,287	-17.04%	314,743	338,619	-6.50%
PROVISIONS FOR DEFERRED INCOME TAXES	135,609	(71,971)	288.42%	287,142	79,421	261.54%
INCOME (LOSS) FR.CONT.OPER.AFT.INC.TAXES	$634,576	$341,185	85.99%	$1,133,043	$858,459	31.99%
INCOME OR (LOSS) FR.OPER.OF DISCONT.SEG.		5,133			10,661	
GAIN OR (LOSS) ON DISP.OF DISCONT.SEG.						
ORDINARY INCOME	$634,576	$346,318	83.24%	$1,133,043	$869,120	30.37%
EXTRAORDINARY ITEMS (NET)		(10,081)			(9,567)	
INCOME TAXES ON EXTRAORD. ITEMS						
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS		2,025			2,025	
CUM.EFFECT CHANGES IN ACCT.PRIN.				193,714	60,173	221.93%
NET INCOME	$634,576	$338,262	87.59%	$1,326,757	$921,751	43.94%
INCOME FROM LEASE OF ROAD AND EQUIPMENT	(3,796)	(3,508)	8.21%	(8,378)	(7,027)	19.23%
RENT FOR LEASED ROADS AND EQUIPMENT	7,534	8,256	-8.75%	14,896	16,325	-8.76%
NET RAILWAY OPERATING INCOME	$593,158	$228,387	159.74%	$1,034,215	$790,087	30.90%
DIVIDENDS ON COMMON STOCK	$321,251	$865,862	-62.90%	$605,211	$1,247,651	-51.49%
DIVIDENDS ON PREFERRED STOCK	8,868	1,569	466.83%	10,100	3,856	162.00%
***** RATIOS *****						
EXPENSES TO REVENUES	87.329%	94.810%		88.426%	91.365%	
TOTAL MAINTENANCE TO REVENUES	37.144%	36.909%		38.238%	37.745%	
TRANSPORTATION TO REVENUES	39.821%	38.073%		39.598%	38.844%	
CASH FLOW	$1,316,489	$809,037	62.72%	$2,499,445	$2,020,999	23.67%

RATE OF RETURN* ON PROPERTY INVESTMENT

TWELVE MONTHS ENDED JUNE 30, 1989

(DOLLARS IN MILLIONS)

	AVERAGE NET INVESTMENT**		NET OPERATING INCOME		RATE OF RETURN*	
	1989	1988	1989	1988	1989	1988
EASTERN DISTRICT	$18,221	$17,962	$1,262	$310	6.93%	1.73%
WESTERN DISTRICT	18,376	17,879	979	1,260	5.33	7.05
UNITED STATES	$36,597	$35,832	$2,240	$1,570	6.12%	4.38%

NOTE: *Preliminary to ICC's Revenue Adequacy Determination in regard to: (1.) special charges, (2. interest income, (3.) tax allocation, (4.) entity principle and (5.) predecessor costs.

**Average net investment, which includes an allowance for working capital, has been reduced for accumulated deferred income tax credits.

FOR THE SECOND QUARTER

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(DOLLARS IN THOUSANDS)

District & Railroad	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
EASTERN DISTRICT										
Conrail	$833,690	$834,907	$859,201	$858,732	$733,663	$714,558	$81,629	$98,969	$81,739	$88,087
CSX Transportation 1/	1,077,817	1,063,979	1,110,180	1,093,695	965,886	1,673,865	87,649	(326,952)	79,644	(387,646)
Florida East Coast	34,912	33,089	36,514	33,597	28,077	27,006	10,717	7,311	946	2,081
Grand Trunk Western	81,509	80,357	85,290	82,743	82,632	79,810	5,525	4,383	2,183	3,488
Illinois Central	124,132	129,155	131,521	135,263	118,421	118,075	13,027	4,991	6,572	15,166
Norfolk Southern	927,991	871,082	956,686	897,209	725,239	660,034	173,700	153,811	131,100	149,892
TOTAL EASTERN DISTRICT	$3,080,051	$3,012,569	$3,177,392	$3,101,239	$2,673,918	$3,273,348	$372,247	($59,467)	$302,184	($128,932)
WESTERN DISTRICT										
Atchison Topeka & Santa Fe	$548,409	$526,879	$560,351	$538,718	$506,480	$470,453	$35,748	$45,594	$38,732	$41,950
Burlington Northern	1,120,658	1,092,859	1,137,418	1,113,160	996,516	940,341	75,251	96,852	91,081	111,156
Chicago & North Western 1/	176,726	185,258	207,471	212,627	208,137	202,151	3,806	8,495	470	10,796
Denver & Rio Grande Western	77,701	69,956	79,028	70,744	72,995	64,543	3,389	2,556	3,922	4,736
Kansas City Southern	75,948	73,530	80,638	77,107	64,092	62,255	9,339	8,663	12,130	10,034
Missouri-Kansas-Texas 2/	–	70,656	–	73,315	–	59,870	–	11,594	–	14,002
Soo Line	126,210	136,554	130,832	140,782	126,308	127,079	2,156	7,087	3,888	9,066
Southern Pacific	476,376	486,324	501,214	509,830	523,306	485,940	(4,497)	95,096	(7,849)	5,212
St. Louis Southwestern	103,894	104,971	105,672	106,731	87,543	83,787	7,355	15,554	7,226	13,561
Union Pacific	1,105,505	1,029,109	1,125,313	1,048,264	945,716	859,813	129,782	112,295	141,374	136,797
TOTAL WESTERN DISTRICT	$3,813,427	$3,776,095	$3,927,937	$3,891,278	$3,531,093	$3,356,232	$262,329	$405,785	$290,974	$357,299
GRAND TOTAL - UNITED STATES	$6,893,478	$6,788,664	$7,105,329	$6,992,515	$6,205,011	$6,629,580	$634,576	$346,318	$593,158	$228,367

Notes:

1. The 1988 second quarter figures includes special charges recorded by CSX Transportation (CSX) and Chicago & North Western (CNW) as detailed below:

	Second Quarter 1988 (Million)	
	CSX	CNW
Operating Expenses	$724.0	$9.0
Ordinary Income	(457.6)	(7.1)
Net Railway Operating Income	(457.6)	(7.1)

2. Effective August 1988, the Missouri-Kansas-Texas Railroad (MKT) assets were purchased by the Missouri Pacific Railroad (MP). MP figures for the second quarter 1989, which include MKT's second quarter results, are included in the combined Union Pacific figures. The 1988 MKT and UP figures reflect the separate ownership that existed at that time.

QUARTERLY TRENDS

		(Dollars in Thousands)			(Revenue Ton-Miles in Millions)		
YEAR	QTR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1983	1Q	$6,467,332	$6,125,837	$173,249	$256,027	196,120	$227,406
1983	2Q	6,696,033	6,345,586	254,985	234,271	203,900	505,256
1983	3Q	6,806,425	6,319,364	370,988	399,120	211,293	364,503
1983	4Q	6,936,757	6,396,154	430,111	385,417	215,456	709,842
1984	1Q	7,450,891	6,619,225	592,570	584,266	231,377	647,046
1984	2Q	7,645,074	6,471,295	809,430	787,455	235,017	1,161,001
1984	3Q	7,415,336	6,351,473	769,434	730,603	233,685	1,324,635
1984	4Q	7,047,978	6,362,869	487,697	481,685	221,671	1,176,891
1985	1Q	7,001,951	6,380,907	417,682	390,307	220,655	696,573
1985	2Q	7,068,280	6,153,453	639,852	648,301	222,844	1,335,952
1985	3Q	6,743,426	5,914,490	648,157	573,439	216,223	132,693
1985	4Q	6,744,921	6,736,414	84,893	158,804	216,304	1,135,973
1986	1Q	6,700,129	6,039,660	402,041	410,132	218,600	658,187
1986	2Q	6,640,686	6,116,913	30,817	704,965	215,716	1,099,717
1986	3Q	6,428,042	5,966,052	340,841	333,979	218,331	1,060,893
1986	4Q	6,486,397	6,778,534	(36,751)	(279,385)	221,688	806,842
1987	1Q	6,445,818	5,751,819	443,522	403,268	226,393	464,360
1987	2Q	6,624,765	5,733,320	555,758	572,154	230,601	862,449
1987	3Q	6,712,041	6,414,582	209,288	239,029	242,258	932,042
1987	4Q	6,840,367	5,981,573	690,187	537,840	248,769	782,772
1988	1Q	6,867,570	6,033,676	522,689	569,260	247,159r	569,618
1988	2Q	7,008,739	6,648,616	348,601	225,204	250,907	964,742
1988	3Q	6,983,849	5,879,403	740,034	713,889	249,522r	1,039,491
1988	4Q	7,107,080	6,281,033	714,938	489,587	254,435r	986,880
1989	1Q	6,996,851	6,255,052	507,490	442,656	249,200r	683,954r
1989	2Q	7,105,329	6,205,011	634,576	593,158	254,536	980,516

ANNUAL TRENDS

	(Dollars in Thousands)			(Revenue Ton-Miles in Millions)		
YEAR	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	$27,503,503	$26,490,278	$1,151,548	$742,231	797,759	$2,185,941
1983	26,729,302	24,108,254	1,777,916	1,837,954	828,275	2,760,909
1984	29,453,446	25,800,454	2,653,814	2,536,873	921,542	3,744,396
1985	27,586,441	25,225,295	1,788,151	1,748,388	876,984	4,422,903
1986	26,204,122	24,896,015	748,941	506,591r	867,722	3,600,682r
1987	26,622,482r	23,878,118r	1,965,475r	1,758,460r	943,747r	2,970,805r
1988	27,934,265r	24,811,138r	2,288,003r	1,979,719r	996,542r	3,681,447

r – Revised.

NOTES TO RAILROAD FINANCIAL TRENDS:

1. Figures shown under Annual Trends are based on the Annual Report (R-1) to the Interstate Commerce Commission and may vary substantially from the RE&I quarterly data which are considered preliminary.

2. Beginning with 1983 annual figures and 1984 quarterly figures, the Interstate Commerce Commission required a change in Class I railroad reporting from Retirement, Replacement, Betterment (RRB) accounting to Depreciation accounting for track structures. This required change distorts comparisons of above trends for Operating Expenses, Operating Income, Net Railway Operating Income, and Capital Expenditures.

3. There is a modest distortion created in the above trends due to changes in the Class I Railroad consist. Several railroads have been reclassified to non Class I since 1982: they include the Long Island (eff. 1Q 1983), the Bessemer & Lake Erie (eff. 1Q 1985), the Pittsburgh & Lake Erie (eff. 1Q 1985), the Duluth Missage and Iron Range (eff. 1Q 1985), and the Elgin Joliet and Eastern (eff. 4Q 1986). The Delware and Hudson Railway is not included in 1988 and 1989.

4. The Annual and Quarterly Trends include Special Charges, covering asset writedowns and employee buyouts. Special Charges were taken by the CSX in 4Q 1985, the UP in 2Q 1986, the BN in 2Q 1986, the ICG in 3Q 1986, the ATSF in 4Q 1986, the SP in 4Q 1986, the SSW in 4Q 1986, the KCS in 4Q 1986, the SOO in 4Q 1986, the NSC in 3Q 1987, the ICG in 1Q 1988, the CSX in 2Q 1988, the CNW in 4Q 1988, SP in 4Q 1988, SSW in 4Q 1988, the ATSF in 1Q 1989, and the IC in 1Q 1989. These special trends comparisons for Operating Expenses, Ordinary Income, and Net Railway Operating Income. The UP special charge is included in the annual (1986) calculation of NROI, but is shown as an Unusual & Infrequent Item for the quarterly calculation of NROI.

ECONOMICS AND FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001-1564

YEAR-TO-DATE

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(DOLLARS IN THOUSANDS)

District & Railroad	FREIGHT REVENUE		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
EASTERN DISTRICT										
Conrail	$1,656,960	$1,623,337	$1,709,418	$1,671,798	$1,497,089	$1,455,342	$141,991	$144,760	$133,499	$132,750
CSX Transportation1/	2,160,289	2,139,464	2,217,848	2,194,457	1,953,826	2,627,740	190,108	(255,661)	162,296	(280,838)
Florida East Coast	70,092	69,618	71,296	70,716	57,427	53,596	17,067	15,719	3,548	7,542
Grand Trunk Western	161,609	158,260	170,262	164,429	164,422	163,498	10,350	3,201	6,592	2,611
Illinois Central1/	266,848	267,934	280,019	280,828	275,990	281,803	4,325	(18,472)	15	2,629
Norfolk Southern	1,822,816	1,704,199	1,876,800	1,756,890	1,451,966	1,340,754	308,092	272,292	252,248	261,968
TOTAL EASTERN DISTRICT	$6,137,612	$5,962,812	$6,327,645	$6,136,916	$5,400,740	$5,922,733	$671,963	$161,839	$558,197	$126,662
WESTERN DISTRICT										
Atchison Topeka & Santa Fe1/	$1,073,324	$1,056,712	$1,097,360	$1,060,624	$1,061,609	$961,307	$32,579	$73,431	$22,061	$76,637
Burlington Northern	2,211,593	2,190,811	2,256,116	2,231,384	1,990,097	1,907,157	124,173	187,755	180,676	209,197
Chicago & North Western1/	364,096	369,874	419,476	424,829	397,939	397,481	23,990	21,213	14,459	26,515
Denver & Rio Grande Western	153,224	139,186	155,543	140,559	142,262	129,910	11,216	4,759	6,490	8,224
Kansas City Southern	142,610	143,383	151,667	151,262	126,559	122,943	16,609	16,345	16,223	19,000
Missouri-Kansas-Texas2/	-	133,868	-	139,350	-	119,581	-	24,115	-	20,902
Soo Line	251,214	274,017	280,353	283,483	253,091	263,052	5,671	14,169	4,713	12,586
Southern Pacific	917,631	951,256	967,016	995,232	1,021,475	963,249	(18,484)	113,808	(46,771)	13,957
St. Louis Southwestern	204,038	197,746	207,492	201,467	178,379	166,840	14,940	23,045	13,581	20,941
Union Pacific	2,197,531	2,035,446	2,237,602	2,072,599	1,878,536	1,709,003	250,386	228,631	264,566	255,486
TOTAL WESTERN DISTRICT	$7,515,266	$7,492,299	$7,752,625	$7,721,189	$7,049,947	$6,740,523	$461,080	$707,261	$476,018	$963,425
GRAND TOTAL - UNITED STATES	$13,652,878	$13,455,111	$14,080,270	$13,860,085	$12,450,687	$12,663,256	$1,133,043	$869,120	$1,034,215	$790,087

Notes:

1. The 1989 and 1988 Year-to-Date figures for Atchison, Topeka & Santa Fe (ATSF), Illinois Central (IC), CSX Transportation (CSX), and Chicago North Western (CNW) includes Special Charges as detailed below:

	Year-to-Date 1989 (Million)		Year-to-Date 1988 (Million)		
	ATSF	IC	IC	CSX	CNW
Operating Expenses	$52.2	$29.0	$35.0	724.0	$9.0
Ordinary Income	(32.9)	(20.7)	(31.4)	(457.6)	(7.1)
Net Railway Operating Income	(32.9)	(20.7)	(31.4)	(457.6)	(7.1)

2. Effective August 1988, the Missouri-Kansas-Texas Railroad (MKT) assets were purchased by the Missouri Pacific Railroad (MP). MP's year-to-date figures for 1989, which include MKT's year-to-date results, are included in combined Union Pacific figures. The 1988 MKT and UP figures reflect the separate ownership that existed at that time.